

KENTUCKY ECONOMIC INDICATORS

June Indicators as of August 29, 2003

? **KY Composite Index of Leading Indicators increased 2.3 percent for June.**

- ✍ The Leading Index rose for the second consecutive month.
- ✍ The Leading Index was down by 0.7 percent over the same month last year.
- ✍ Component indicators leaned positive as gainers topped losers 4:1.
 - ? KY Labor Intensity Index fell 1.0 percent.
 - ? The Conference Board's US Leading Index increased 3.3 percent.
 - ? The Index of KY Initial Claims increased slightly 1.0 percent.
 - ? Retail Sales grew substantially 10.7 percent.
 - ? Louisville HWI increased by two points to 49.

? **KY Composite Index of Coincident Indicators fell 1.0 percent for June.**

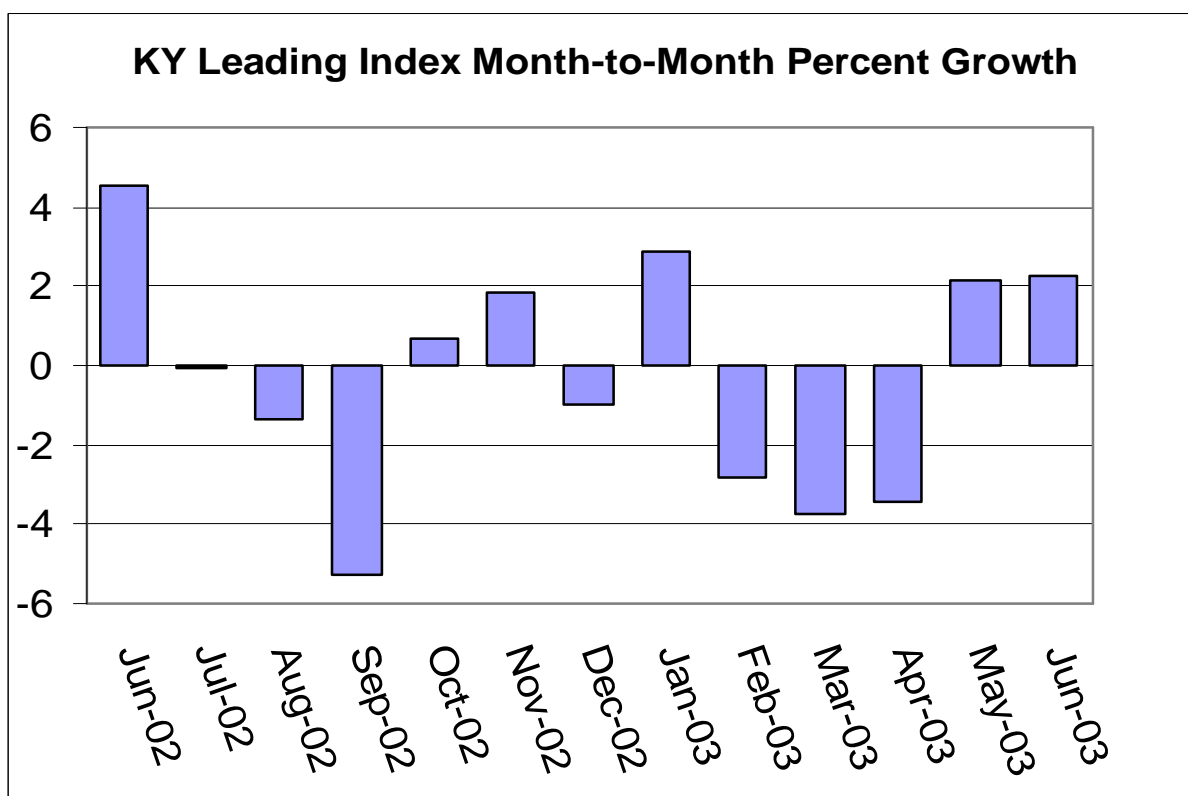
- ✍ The Coincident Index decreased for the fourth time this year.
- ✍ Year over year change was negative for third consecutive month by -0.7 percent.
- ✍ Component indicators were mixed with losers edging gainers 2:1.
 - ? KY Total Nonagricultural Employment decreased by 3.3 percent.
 - ? US Personal Income Less Transfers grew slightly 0.4 percent.
 - ? US Industrial Production decreased 0.2 percent.

The Kentucky Leading Index is positive for the second month in a row. This is encouraging after our three negative months culminating in April. A third positive next month would indicate that downturn, predicted in February-to-April, will be short-lived. Overall, the indicators are positive this month. The national economy's recovery continues to drive the Leading Index. US Retail Sales are strong for the second consecutive month, while US Personal Income has been positive for three consecutive months. This is all very promising nationally and statewide.

The Louisville Help Wanted Index is near its all-time low. Furthermore, the Index has been in steady decline for over three years. However, the last 12 months show signs of promise as the steady decline of the last three years makes way for flat or zero growth. The Louisville Help Wanted Index is the most volatile component in our Leading Index, which gives it the smallest weight. The Help Wanted Index is especially interesting because it has been remarkably accurate in its predictions of turning points, moreso than any other component indicator. For this reason we take special interest when the long term trend of this variable changes. The recent change from declining to flat is a welcome indicator that things may have finally bottomed out for the state economy.

The labor market on the other hand is still depressed both nationally and locally. The Kentucky Labor Intensity Index, which carries the heaviest weight in our Index, was down for the fifth time this year. Kentucky nonagricultural employment and Kentucky manufacturing employment were both down moderately, 3.3 percent and 4.4 percent respectively. Kentucky's unemployment rate is at its 10-year high, 6.0 percent. The US labor market is depressed to a smaller degree than Kentucky's labor market. US nonagricultural employment was down by 0.7 percent. The US Initial Claims Index is down moderately for the second straight month, while the US unemployment rate is at an 11 year high of 6.4 percent. US Industrial Production is down moderately by 0.2 percent. Early 2002 looked promising after the index regained over a third of its 2000-2001 losses, but it has returned to its downward trend over the last 13 months.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete article on the indicators was published in the University of Kentucky's *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- ? **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- ? **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- ? **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- ? **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- ? **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.state.ky.us.

**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2002						2003						
	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
KY Leading Index (1992=100)	111.0	111.0	110.9	110.4	110.5	110.7	110.6	110.8	110.6	110.2	109.9	110.1	110.3
	4.5	-0.1	-1.3	-5.3	0.7	1.8	-1.0	2.9	-2.8	-3.7	-3.4	2.1	2.3
	0.0	0.1	0.2	0.5	0.4	0.6	0.3	0.3	0.0	-0.4	-0.5	-0.5	-0.7
KY Coincident Index (1992=100)	127.5	127.5	127.4	127.4	127.1	127.3	126.9	127.5	127.3	127.0	126.7	126.7	126.6
	3.2	-0.2	-0.3	-0.1	-2.8	1.4	-3.0	5.4	-1.6	-3.2	-2.7	0.0	-1.0
	-0.2	-0.1	0.0	0.2	0.4	0.7	0.5	0.7	0.6	0.1	-0.2	-0.4	-0.7
KY Nonag Employment (000s)	1785.1	1783.4	1785.3	1785.5	1785.7	1786.8	1781.6	1793.9	1787.5	1784.4	1775.4	1770.0	1765.0
	-0.8	-1.2	1.3	0.2	0.1	0.7	-3.5	8.6	-4.2	-2.1	-5.9	-3.6	-3.3
	-1.3	-1.0	-0.9	-0.5	-0.3	-0.2	-0.2	0.1	0.1	-0.2	-0.7	-0.9	-1.1
KY Mfg Employment (000s)	275.5	274.7	274.3	272.9	273.5	273.0	272.6	273.2	272.9	272.3	269.9	268.7	267.7
	-3.9	-3.4	-1.8	-6.2	2.8	-2.3	-1.5	2.4	-1.2	-2.7	-9.8	-5.2	-4.4
	-6.0	-5.2	-4.7	-4.5	-3.7	-3.4	-3.2	-2.5	-2.3	-2.2	-2.8	-2.8	-2.8
KY Unemployment Rate (%)	5.6	5.5	5.5	5.4	5.4	5.5	5.5	5.3	5.7	6.0	5.6	5.5	6.0
KY Index of Initial UI Claims	100.3	100.7	100.5	99.3	99.8	100.6	98.7	100.3	99.8	98.8	98.4	99.0	99.1
	7.1	5.0	-1.9	-13.2	5.3	10.3	-19.9	21.2	-6.7	-10.7	-5.1	7.7	1.0
	0.7	0.9	1.0	0.9	3.0	2.6	-0.6	0.3	-0.7	-0.8	-0.5	-0.7	-1.2
KY Labor Intensity Index (1992=100)	105.2	105.4	105.2	105.3	105.2	105.0	105.3	105.1	104.9	104.2	104.3	104.2	104.1
	1.6	2.2	-2.0	0.7	-0.2	-2.9	3.5	-2.3	-1.7	-7.6	1.2	-1.8	-1.0
	-1.2	-0.7	-0.8	-0.4	-0.2	-0.3	-0.1	-0.1	-0.3	-1.0	-0.8	-0.8	-1.0
Louisville Help Wanted Index (1992=100)	71.0	64.0	60.0	58.0	58.0	57.0	53.0	55.0	60.0	58.0	50.0	47.0	49.0
	140.2	-71.2	-53.9	-33.4	0.0	-18.8	-58.2	56.0	184.1	-33.4	-83.2	-52.4	64.9
	-20.2	-24.7	-21.1	-20.5	-10.8	-9.5	-8.6	-8.3	0.0	-13.4	-18.0	-28.8	-31.0
Gen. Fund Total Receipts (\$ mil)	608.0	435.5	488.5	655.5	570.8	527.2	642.1	635.4	419.7	438.0	696.4	416.4	617.6
	0.9	-3.2	12.9	6.1	13.0	1.3	5.4	14.4	-3.1	1.8	-0.5	-3.1	1.6
Gen. Fund Sales & Use Receipts (\$ mil)	191.5	201.7	231.2	201.2	217.5	189.0	192.5	233.3	150.6	165.6	199.7	190.2	191.6
	1.9	-1.2	25.7	6.1	10.7	-0.7	-1.2	-1.2	-3.6	-1.3	0.1	0.3	0.1
Gen. Fund Income Tax Receipts (\$ mil)	271.9	187.6	203.9	279.0	237.7	217.1	227.9	290.9	204.7	117.0	354.4	158.2	267.9
	-1.5	-2.9	0.7	-2.9	10.2	4.0	-3.2	28.9	-3.7	-0.6	-5.8	1.8	-1.5

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2002												2003			
	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN			
US Leading Index (1982=100)	111.2	111.0	110.9	110.4	110.4	111.0	111.2	111.2	110.6	110.4	110.5	111.7	112.0			
% Chg Previous Month SAAR	-2.1	-2.1	-1.1	-5.3	0.0	6.7	2.2	0.0	-6.3	-2.1	1.1	13.8	3.3			
% Chg Same Month Last Year	2.3	1.8	1.8	2.2	1.8	1.6	0.6	0.2	-0.4	-0.5	-0.3	0.3	0.7			
US Coincident Index (1992=100)	115.1	115.3	115.3	115.2	115.2	115.3	115.2	115.5	115.1	115.1	115.0	115.1	115.1			
% Chg Previous Month SAAR	3.2	2.1	0.0	-1.0	0.0	1.0	-1.0	3.2	-4.1	0.0	-1.0	1.0	0.0			
% Chg Same Month Last Year	0.0	0.1	0.1	0.4	0.4	0.9	0.7	0.8	0.6	0.5	0.3	0.3	0.0			
US Nonag Employment (mil)	130.4	130.2	130.2	130.3	130.4	130.4	130.2	130.4	130.2	130.1	130.1	130.0	129.9			
% Chg Previous Month SAAR	-0.3	-1.6	0.2	0.6	1.1	0.0	-1.9	1.5	-1.1	-1.4	-0.2	-0.7	-0.7			
% Chg Same Month Last Year	-1.3	-1.3	-1.1	-1.0	-0.6	-0.4	-0.4	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4			
US Unemployment Rate (%)	5.8	5.8	5.8	5.7	5.8	5.9	6.0	5.7	5.8	5.8	6.0	6.1	6.4			
US Initial Claims for UI (000s)	392.1	386.8	397.8	416.9	410.6	389.0	410.5	386.7	408.6	423.3	447.2	431.6	425.9			
% Chg Previous Month SAAR	-38.1	-15.1	40.0	75.6	-16.7	-47.7	90.7	-51.2	93.7	52.8	93.3	-34.7	-14.7			
% Chg Same Month Last Year	-1.3	-2.6	-0.6	-7.1	-15.5	-14.2	2.0	-3.6	5.0	0.8	3.4	5.8	8.6			
Industrial Production Index	110.8	111.6	111.3	111.2	110.6	110.8	109.9	110.7	110.7	110.1	109.5	109.5	109.5			
% Chg Previous Month SAAR	4.1	8.5	-2.9	-0.7	-6.9	2.4	-9.4	8.9	0.7	-6.9	-6.4	0.6	-0.2			
% Chg Same Month Last Year	-0.3	0.5	0.6	1.2	1.0	1.8	1.4	1.6	1.4	0.4	-0.6	-0.8	-1.2			
US Personal Inc. Less Trans. (bil 92\$)	6922.4	6876.9	6879.2	6881.0	6863.9	6874.2	6893.8	6896.7	6887.3	6875.6	6899.4	6919.5	6921.6			
% Chg Previous Month SAAR	8.2	-7.6	0.4	0.3	-2.9	1.8	3.5	0.5	-1.6	-2.0	4.2	3.6	0.4			
% Chg Same Month Last Year	1.1	0.3	0.4	0.0	0.8	0.9	0.6	0.8	0.4	0.1	0.8	0.6	0.0			
CPI, All Urban (1982-84=100)	179.8	180.1	180.5	180.9	181.2	181.4	181.6	182.2	183.3	183.9	183.3	183.3	183.6			
% Chg Previous Month SAAR	2.0	2.0	2.7	2.7	2.0	1.3	1.3	4.0	7.5	4.0	-3.8	0.0	2.0			
% Chg Same Month Last Year	1.1	1.5	1.7	1.6	2.0	2.3	2.4	2.6	3.0	3.0	2.2	2.1	2.1			
Retail Sales (bil 84\$)	298.0	300.5	304.3	299.2	299.5	301.7	305.8	307.0	302.7	309.6	308.7	310.2	312.9			
% Chg Previous Month SAAR	18.4	10.3	16.3	-18.2	1.0	9.4	17.6	4.9	-15.6	30.7	-3.4	6.1	10.7			
% Chg Same Month Last Year	3.6	4.3	5.1	5.2	-0.8	2.7	4.3	5.0	3.0	5.4	3.6	5.6	5.0			
Manufacturing & Trade Sales (000s)	859.3	868.4	867.4	859.0	861.4	867.3	870.7	875.3	857.7	868.0	864.7	869.1	*871.6			
% Chg Previous Month SAAR	4.5	13.5	-1.4	-11.0	3.4	8.5	4.8	6.6	-21.7	15.3	-4.4	6.2	3.5			
% Chg Same Month Last Year	3.1	3.2	2.6	4.6	1.4	2.5	2.5	2.1	1.0	2.3	0.9	1.5	1.4			
US Consumer Sentiment (1966=100)	87.9	81.0	80.6	79.9	73.1	78.5	80.8	72.8	69.9	69.6	79.3	91.4	86.4			
% Chg Previous Month AR	-47.2	-62.5	-5.8	-9.9	-65.6	135.2	41.4	-71.4	-38.6	-5.0	378.6	449.6	-49.1			
% Chg Same Month Last Year	1.2	-8.4	-5.4	8.7	-3.2	2.5	-1.8	-20.3	-19.8	-24.9	-11.0	-1.4	-1.7			
Bank Prime Interest Rate (%)	4.75	4.75	4.75	4.75	4.75	4.35	4.25	4.25	4.25	4.25	4.25	4.25	4.22			